

Moving Expenses

1. Purpose. To provide information on the change in moving expenses for tax purposes on 1994 federal income tax returns (i.e., next year's returns).

2. Facts.

a. Currently, military taxpayers who itemize their deductions (i.e., file a Form 1040, Schedule A) claim moving expenses on Form 3903 (or Form 3903F for a move to or within a foreign country). There are two basic kinds of deductible moving expenses, direct and indirect.

(1) Direct expenses include moving household goods and personal effects from the old to the new residence, and travel costs, including lodging and 80% of meals en route, for the taxpayer and the taxpayer's family. These are claimed on Form 3903, Part I, Sections A and B. Generally, military taxpayers do not incur very many direct moving expenses.

(2) Indirect expenses cover travel costs, including lodging and 80% of meals, for househunting trips after obtaining a job at the new location; lodging and 80% of meal costs for temporary quarters (up to 30 days) while waiting to move into a home at the new job location; and brokers' commissions, legal fees, and other costs connected with selling the old home and buying a new one. Many military taxpayers who sell and then buy a replacement home when changing duty stations often claim indirect expenses (e.g., househunting, home sale, or purchase expenses) as moving expenses to increase their itemized deductions. Form 3903, Part I, Sections C and D, are where indirect moving expenses are claimed for 1993 moves.

b. Beginning 1 January 1994, indirect expenses incurred after 31 December 1993 are no longer deductible moving expenses.

(1) After 31 December 1993, taxpayers can deduct only the cost of transporting themselves and family (including the cost of lodging while traveling) and their belongings to their new homes. As a practical matter, many military taxpayers will not have deductible moving expenses anymore.

(2) Many of the qualified real estate expenses may still be used to adjust the basis of a sold/purchased home.

c. Those taxpayers who do incur deductible moving expenses will be able to claim them without itemizing (i.e., filing Form 1040, Schedule A) on their 1994 federal return. Taxpayers will be able to take a moving expense adjustment, similar to an IRA deductible-contribution or alimony adjustment on the front of the Form 1040.

d. Consult IRS Publication 521, Moving Expenses, for more information.